

CLUBHOUSE

Catalyst of the Audio World?



GCI should not invest in Clubhouse – Competitors are better placed, active monthly users on Clubhouse falling sharply

INVESTMENT RECOMMENDATION

If Clubhouse sticks around, its success will be bound to the quality of its content, which is still very much in flux.

- Anna Wiener (The New Yorker), Author- Uncanny Valley

Stuck In Red Ocean: Clubhouse in deep trouble as users return to "new" normal post Covid life and competitors are better placed

WHAT IS CLUBHOUSE'S CURRENT SITUATION?

The "new" normal resulted
in downfall in users

70%

Decrease in average monthly
users

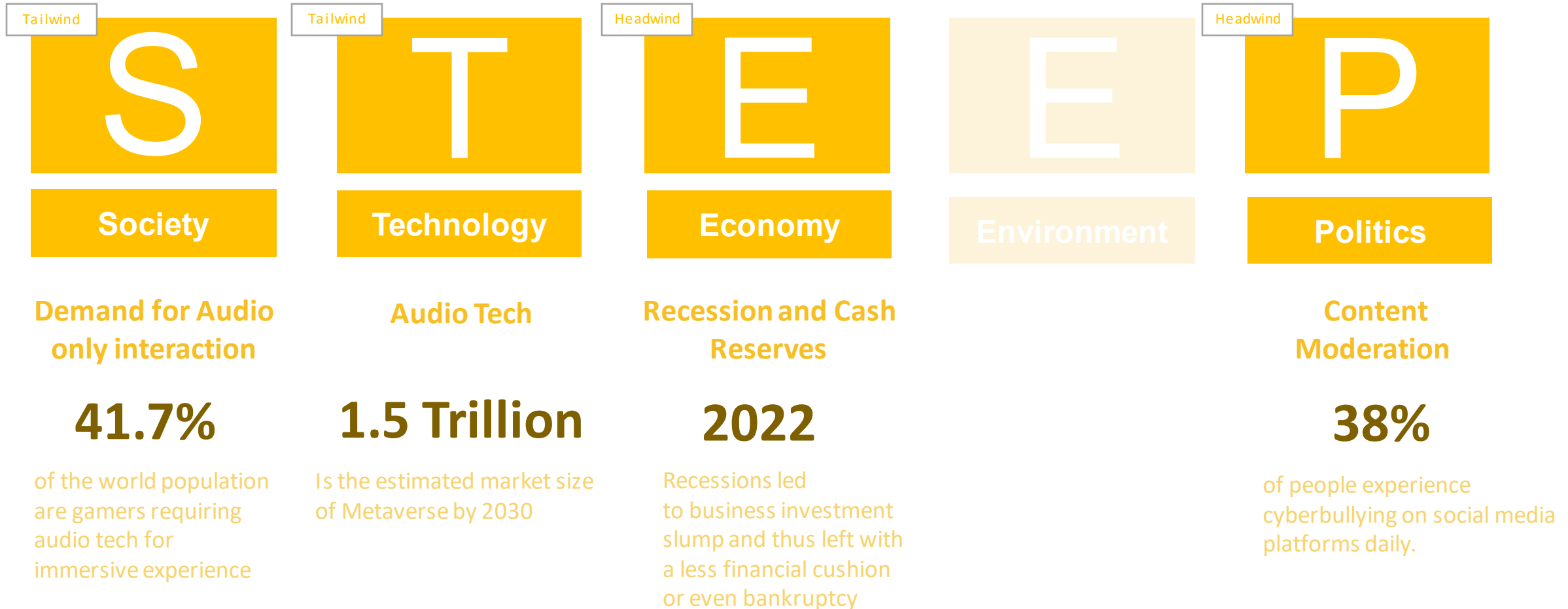
Competitors provide the same
benefit + additional features

150million

Total users of Discord in 2022
from 56 million in 2019

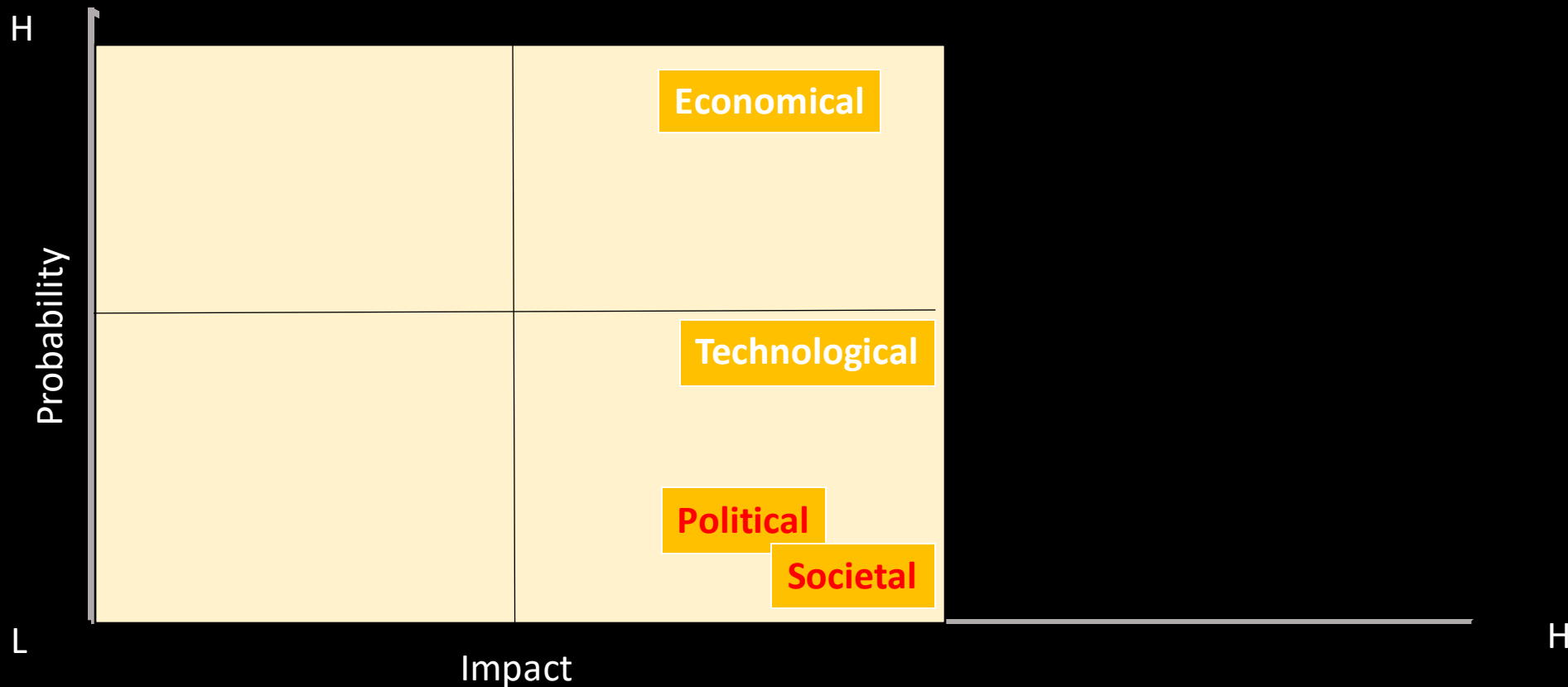
Booming Audio Needs, Metaverse, Shrinking Cash Reserves, Content Moderation drives Clubhouse towards enhancing audio technology and creating a safe user space

WHAT ARE THE RISKS AND CHALLENGES THAT CLUBHOUSE IS FACING?



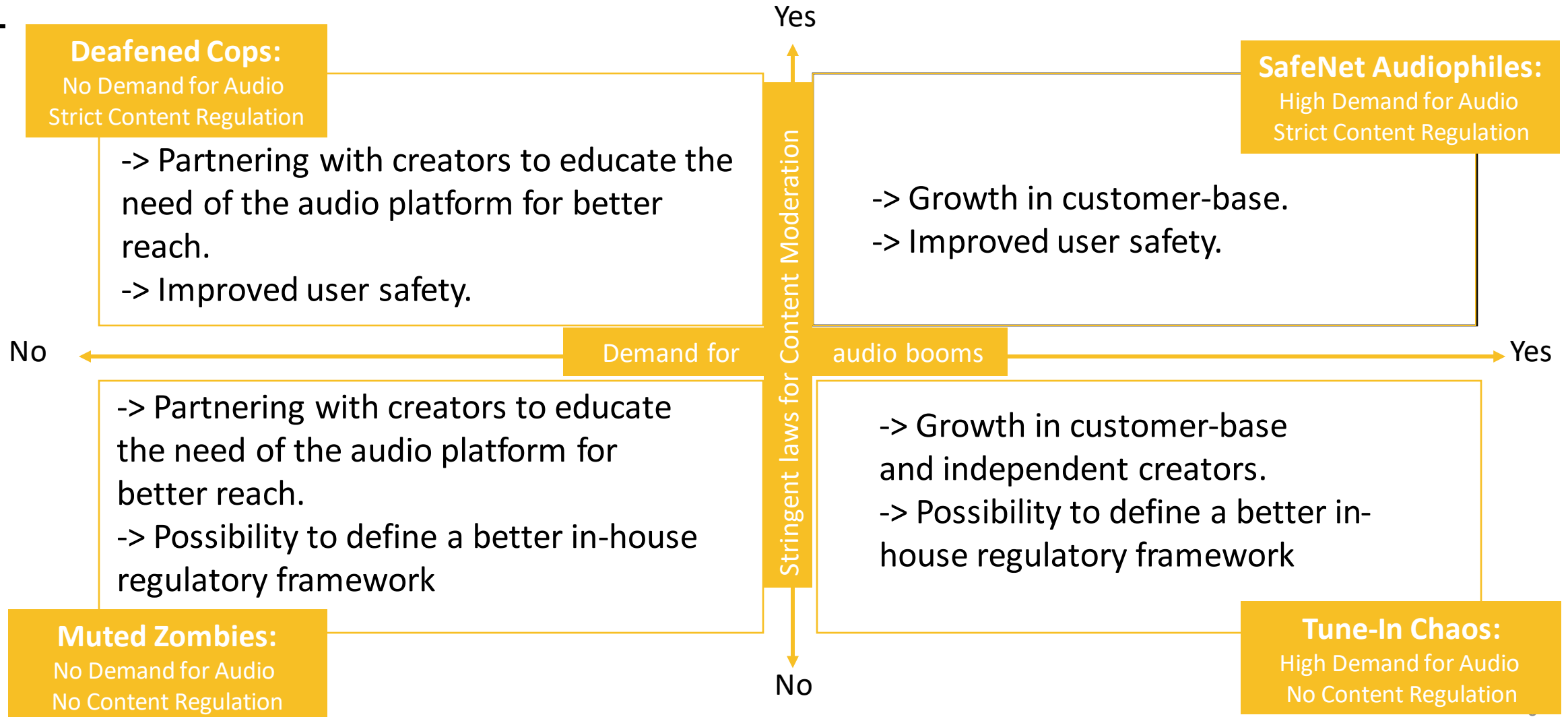
In this unpredictable market, Society and Political policies will shape where Clubhouse goes in the future

HOW MUCH IMPACT AND PROBABILITY DO THE EXTERNAL FACTORS HAVE ON CLUBHOUSE?



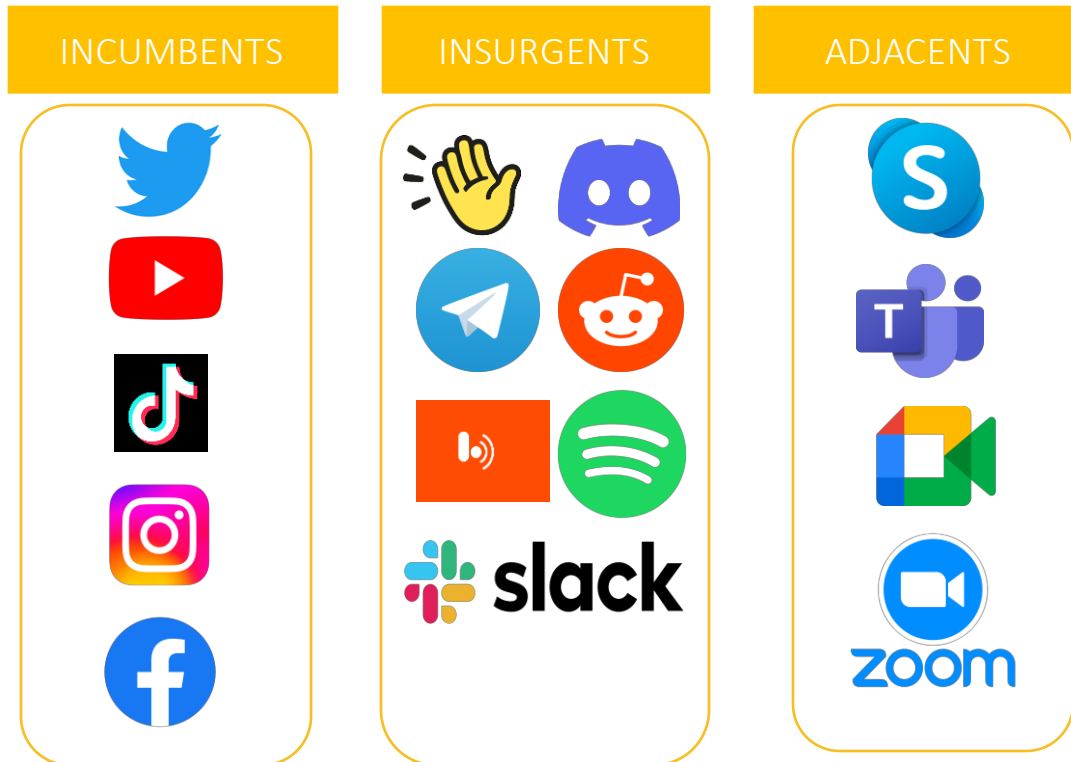
In this unpredictable market, Society and Political policies will shape where Clubhouse goes in the future

WHAT ARE THE MOST UNCERTAIN SCENARIOS FOR CLUBHOUSE?



Clubhouse is struggling to find its value proposition when compared to its competitors

WHAT ARE THE RISKS AND CHALLENGES THAT CLUBHOUSE IS FACING?



Analysis-

In our analysis we found that there are two conditions that a platform must address (Either or both)

- There needs to be a core segment, a community.
- It needs to solve a problem or have a purpose in individual's life – a value proposition – how many people will miss it if it disappears.

At the beginning of Covid, Clubhouse was solving a problem hence it blew up, overnight. It had no committed userbase (perils of being a generalist). In the post covid world, it is struggling to re-discover its purpose.

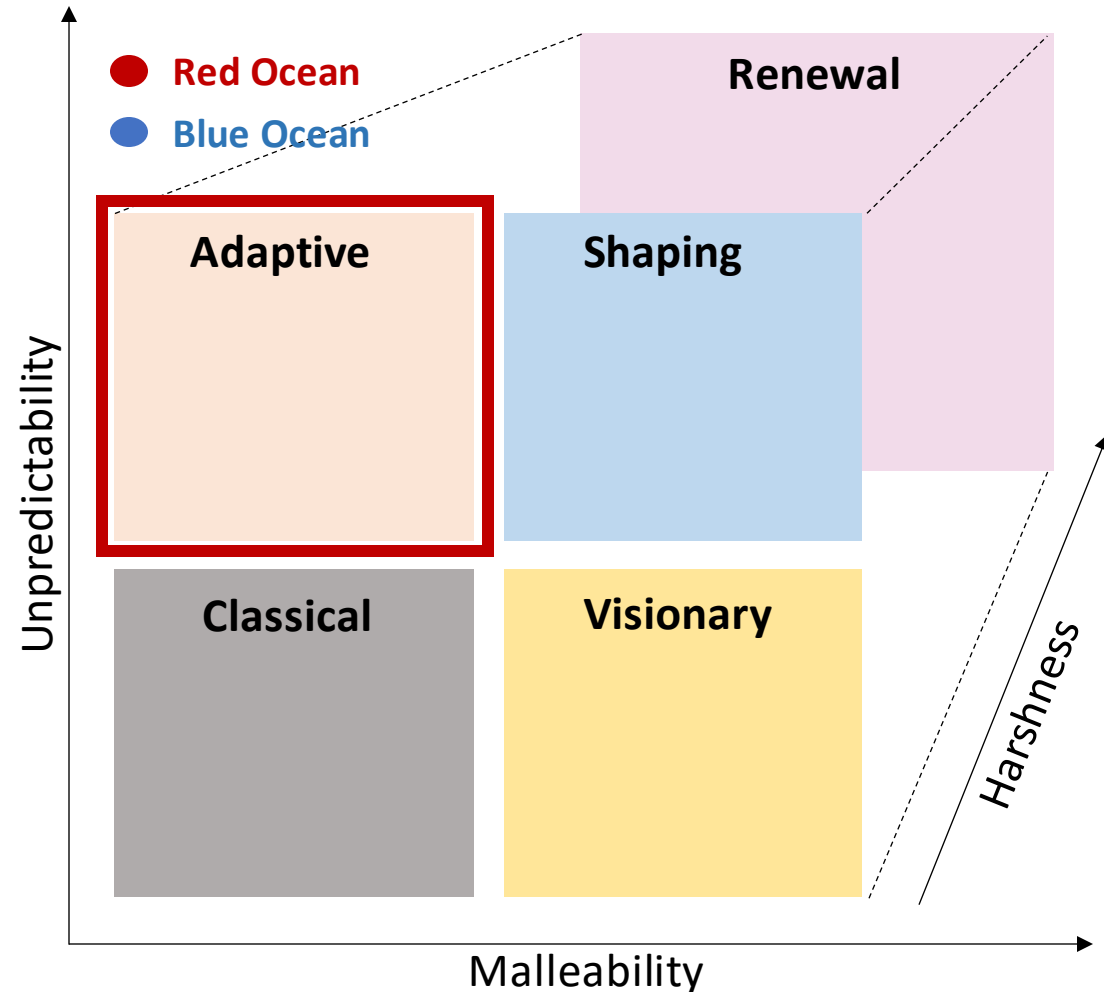
Clubhouse can bridge its privacy and technology gaps to become the shaper of AaaS (Audio as a Service)

HOW CAN CLUBHOUSE ANALYSE ITS WEAKNESSES AND RISE AGAIN?



Clubhouse is in adaptive right now with abundant funding, fierce competitors and unpredictable market needs

WHERE IS CLUBHOUSE IN THE STRATEGY PALETTE NOW?



Adaptive

Clubhouse can't predict the landscape, and it can't change it.

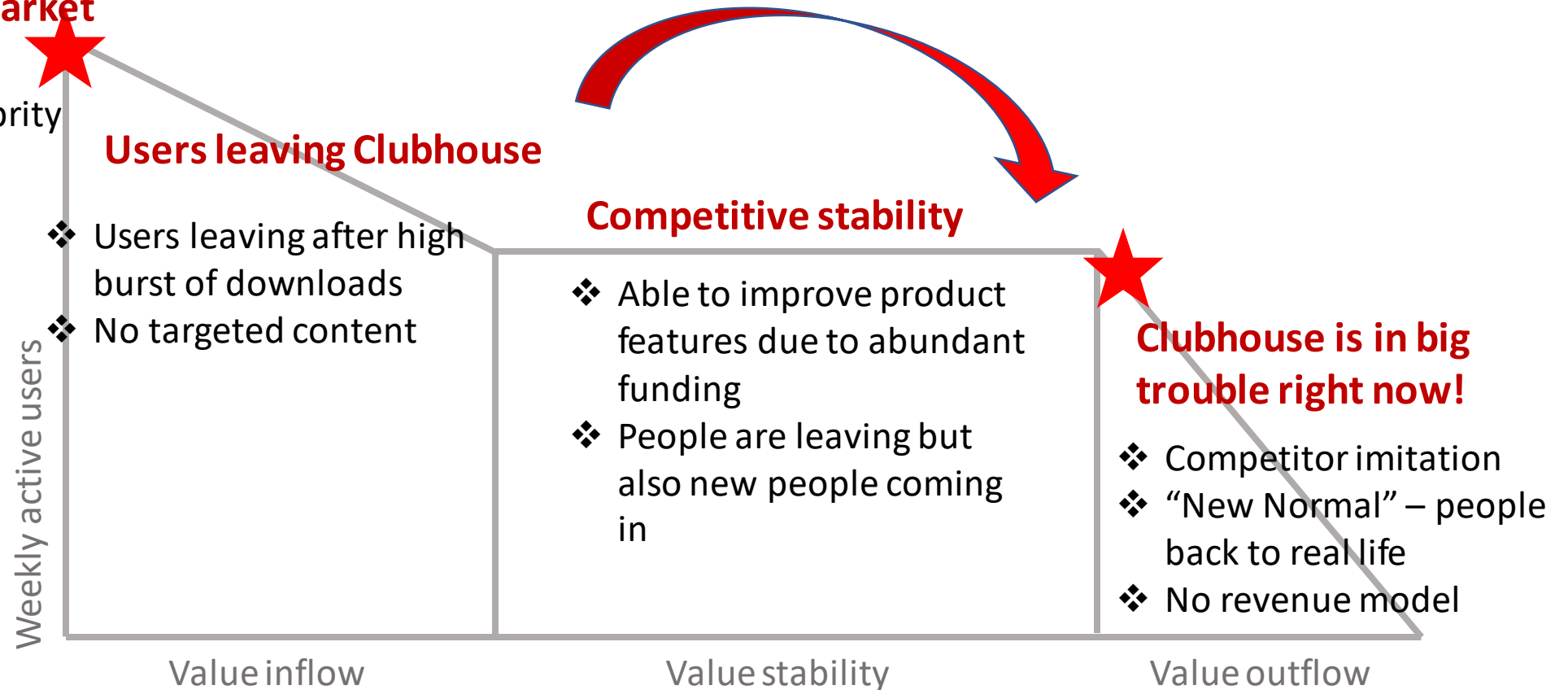
- ❖ **Unpredictability – High**
- ❖ **Malleability – Low**
- ❖ **Harshness – Low**

Clubhouse saw great success in the market first but it's facing an unavoidable decline

WHERE IS CLUBHOUSE IN THE STRATEGY PALETTE NOW?

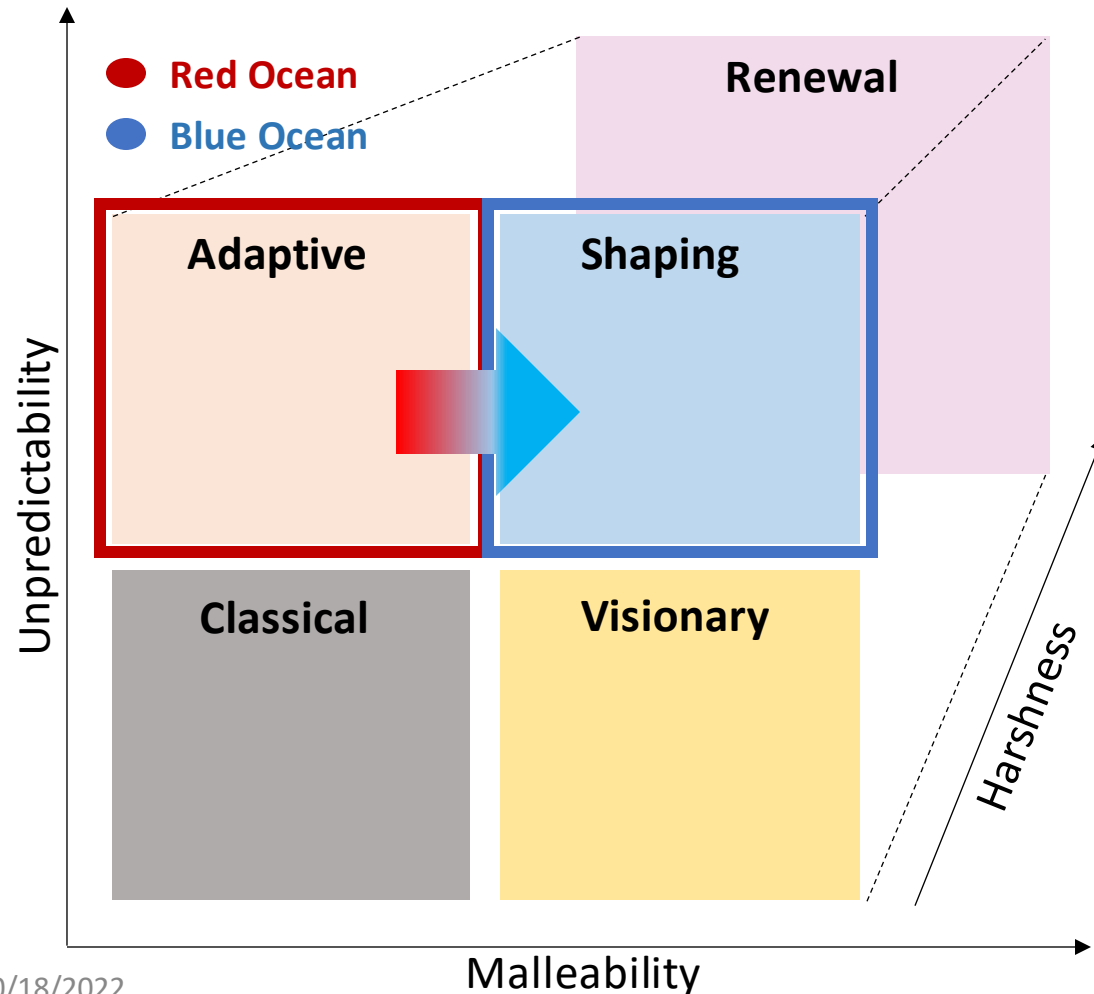
Initial hit in the market

- ❖ Exclusivity
- ❖ Influencers/celebrity
- ❖ Pandemic



Clubhouse should shift to shaping to leverage their current competitive advantage to find the next blue ocean

WHERE IS CLUBHOUSE IN THE STRATEGY PALETTE NOW?



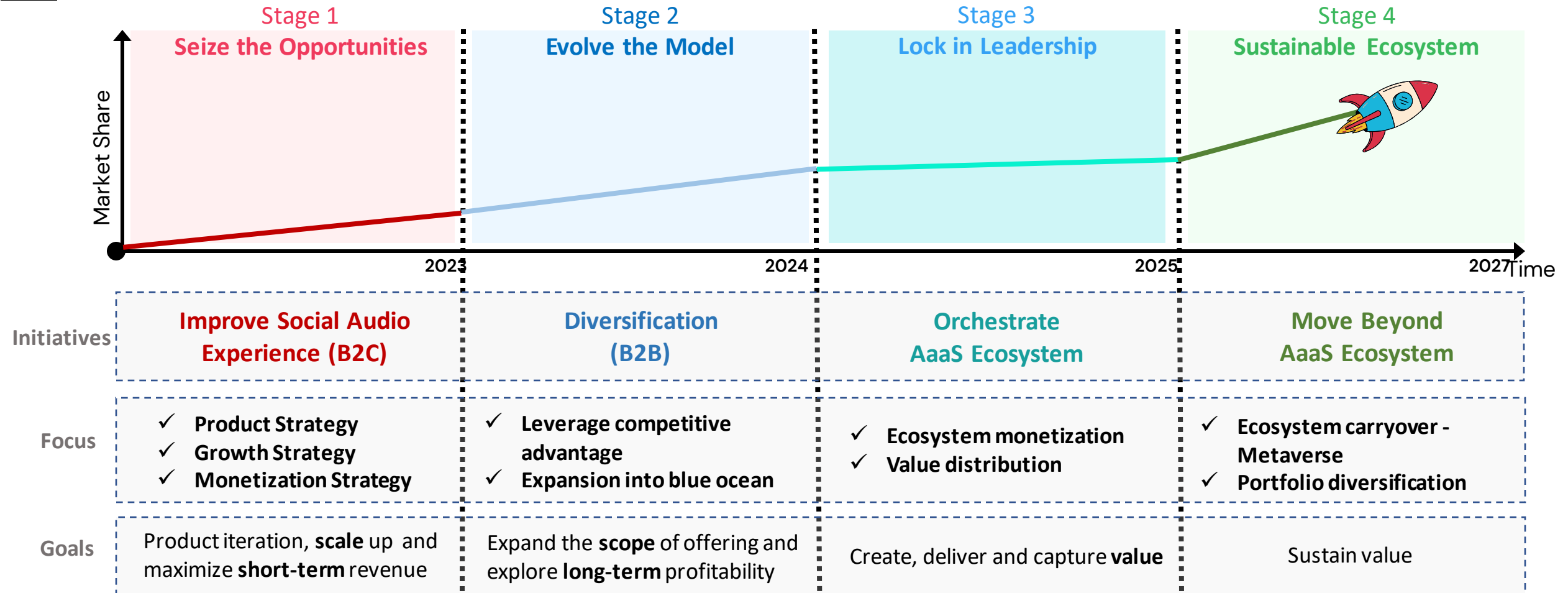
Shaping

Clubhouse can't predict the landscape, but it can change it.

- ❖ Unpredictability – high
- ❖ Malleability – High
- ❖ Harshness – Low

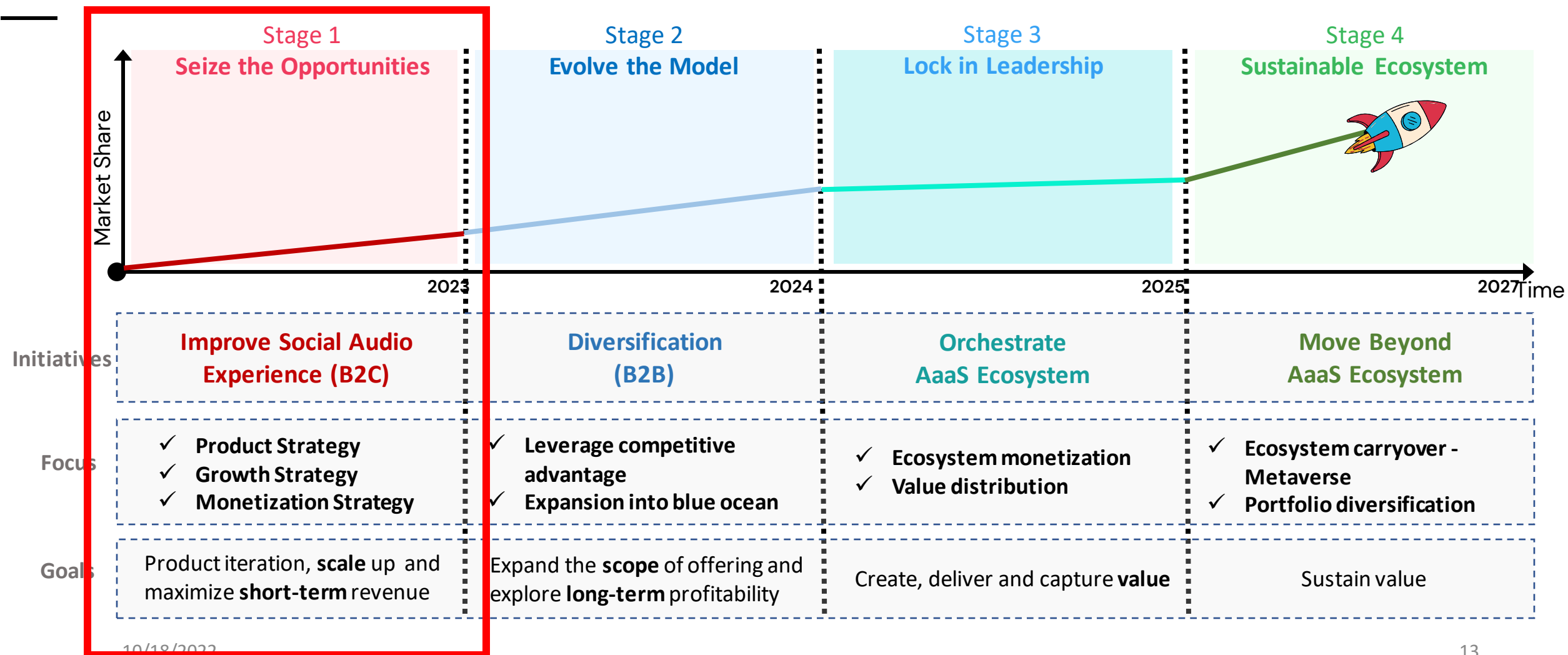
It Shapes by Improving Social Audio experience, Diversifying in B2B, Orchestrate AaaS Ecosystem and moving beyond it in 4 stages.

WHAT CAN CLUBHOUSE DO TO GET BETTER?



Stage 1: Improving the Social Audio Experience by scaling up and maximizing short-term revenue

WHAT CAN CLUBHOUSE DO TO GET BETTER?



Clubhouse should seize the audio social market opportunity by positioning well and through a series of marketing events

GROWTH STRATEGY

Customer segmentation

Target free users in social media market. And incisively cater to them with a set hierarchy to expand the business feasibly

Happy Hour with the Star

Organize weekly events with celebrities to allow users to have live conversations with them.

Creator program

On-board and retain Creators which pull a younger audience.

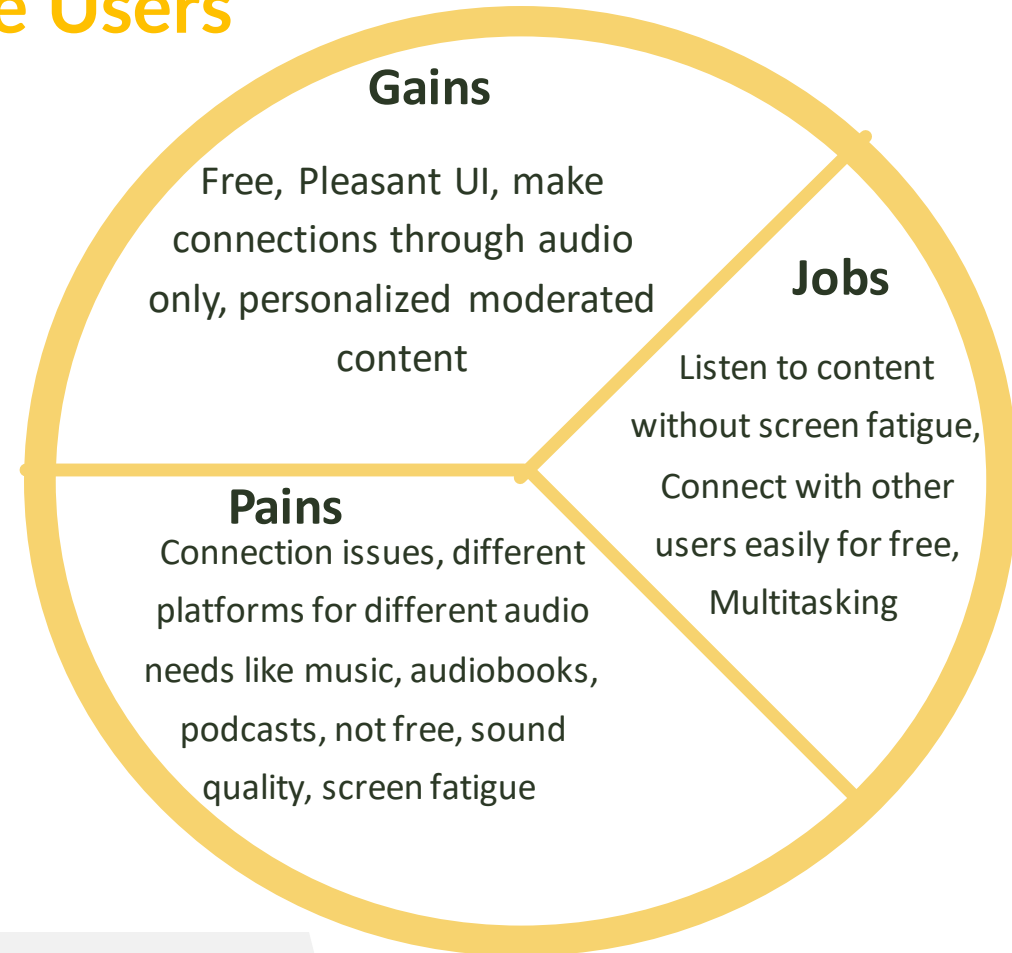
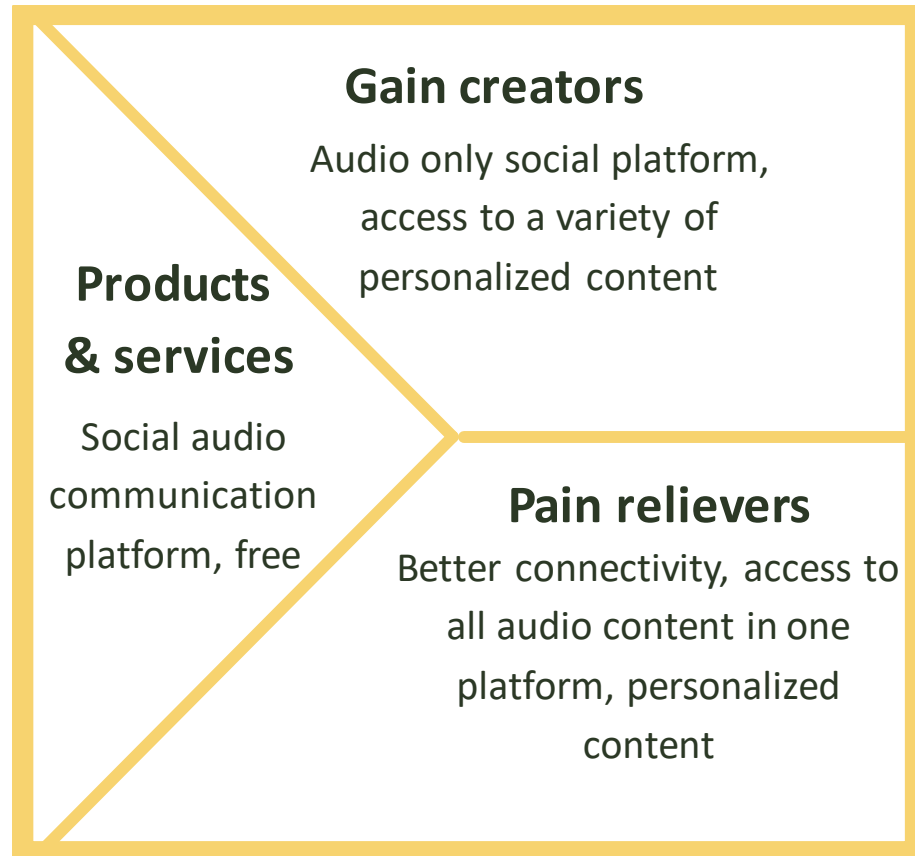
Clubhouse community

Come up with new features to help build stronger communities for creators and users.

In the new shaping landscape, we identify the audio only space to be Clubhouse's differentiation

WHAT ARE THE JOBS, PAINS AND GAINS FOR STAGE 1?

Free Users



Clubhouse should iterate the product by analyzing user behavior to provide personalized audio experience

PRODUCT STRATEGY

Discovery feature

Algorithm - deploys AI and ML to increase reach for creators and provide streamlined quality content to the consumer

Permanent Curated walls of content

Move away from no posting culture – history and memory – this will solve the problem of accessing content when the creator is not live

Focus feature

Back-channel audio (lowers the volume when having a separate conversation with someone in the room)

Community standards and content moderation

Create Community standards to protect user data through end-to-end encryptions.

With Commerce Platforms, Live Experiences, Paid Communities and Digital Goods, Clubhouse can build a Revenue Model

MONETIZATION STRATEGY

Commerce Platforms

Enable creators to promote their products through features such as live-streaming auctions

Virtual Live Experience

Facilitated "ticketed" performances and shows, one-on-one interactions and network events, and group meetings

Interest-Based Paid Communities

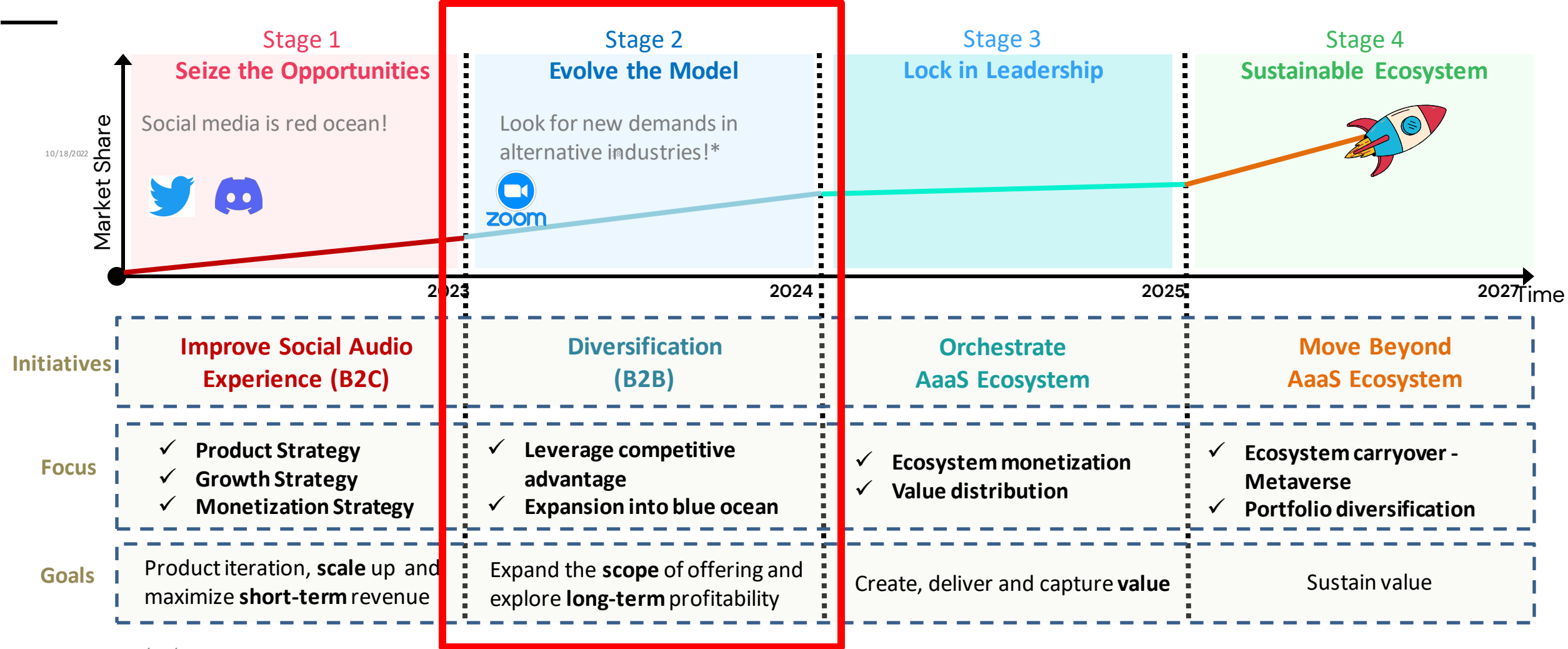
Provide exclusive resources, expert feedback, and community support for community like aspiring entrepreneurs

Digital Goods or In-App Currencies

Charge users for digital goods such as NFT audio clips.

Stage 2: Clubhouse should jump out of red ocean, identify new demands in alternative industries and diversity into B2B market

WHAT CAN CLUBHOUSE DO TO GET BETTER?



10/18/2022

18

*Blue Ocean Shift: Beyond Competing - Proven Steps to Inspire Confidence and Seize New Growth

Leveraging the competitive advantage, AaaS for Marketing & Sales and Internal communication could be blue ocean for Clubhouse

HOW COULD CLUBHOUSE MOVE INTO BLUE OCEAN?

🟡 Leverage competitive advantage

- ✓ Strong user base
- ✓ Superior audio communication experience
- ✓ Brand image/reputation

🟡 Partnership

Audio tech company

- To improve Clubhouse audio experience
- To expand product offering
- To enter different industries

🟡 Move into blue ocean (B2B)

- Marketing & Sales (**Subscription**)
- Internal Communication for corporations/small business/education institution (**Subscription**)

Potential partners



Audio advertising for retailers

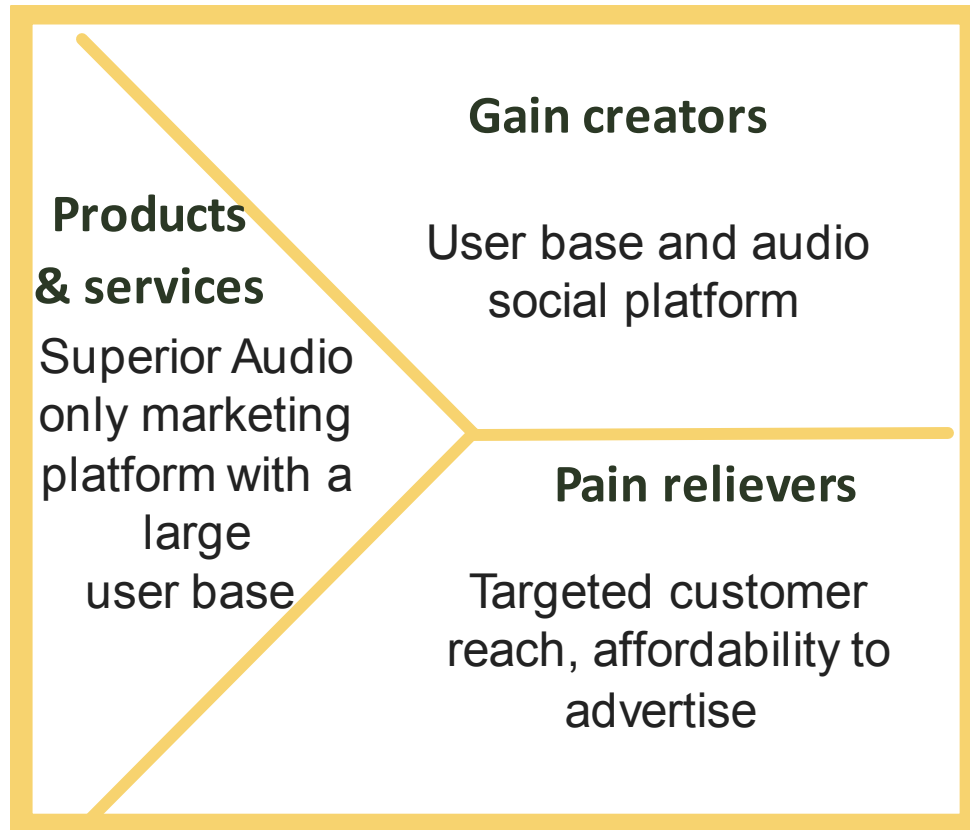


Speech recognition

Clubhouse should strategize on Marketing & Sales segments by providing superior audio marketing platform with a large user base

HOW SHOULD CLUBHOUSE STRATEGIZE?

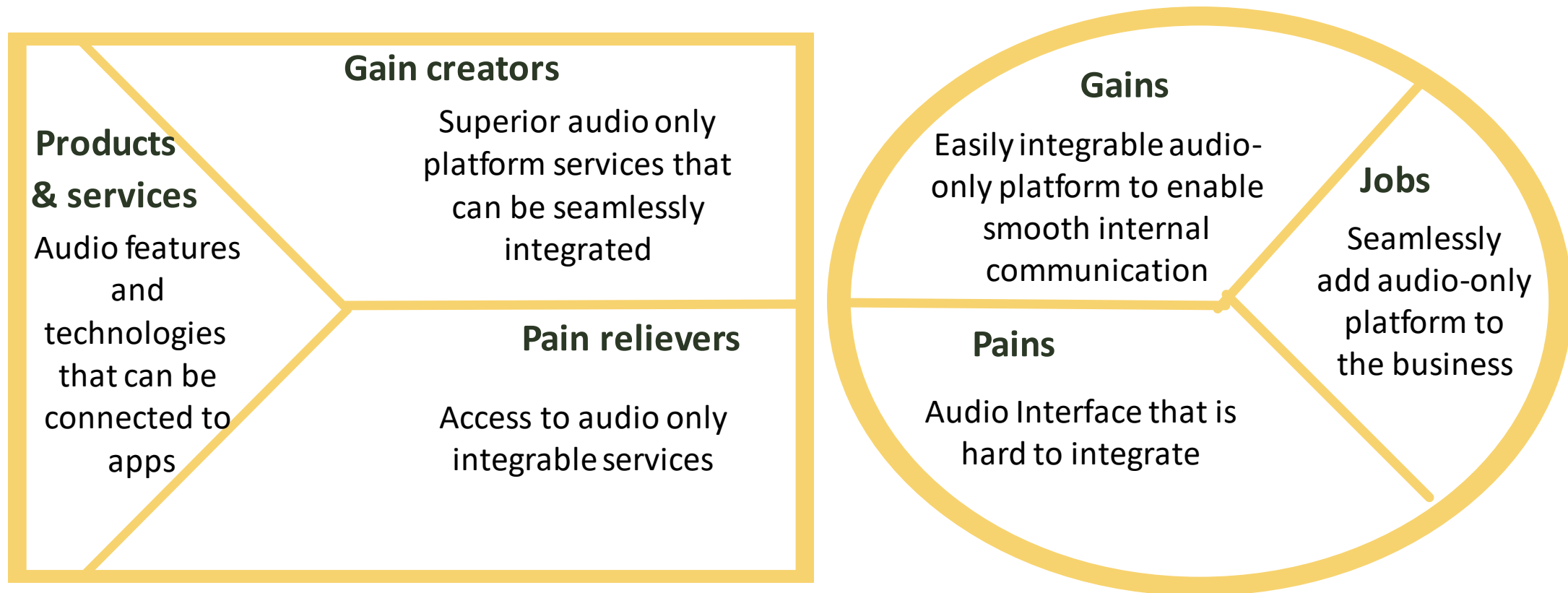
Marketing & Sales



Clubhouse should further strategize on Internal Communication segment by offering easily integrable audio platform

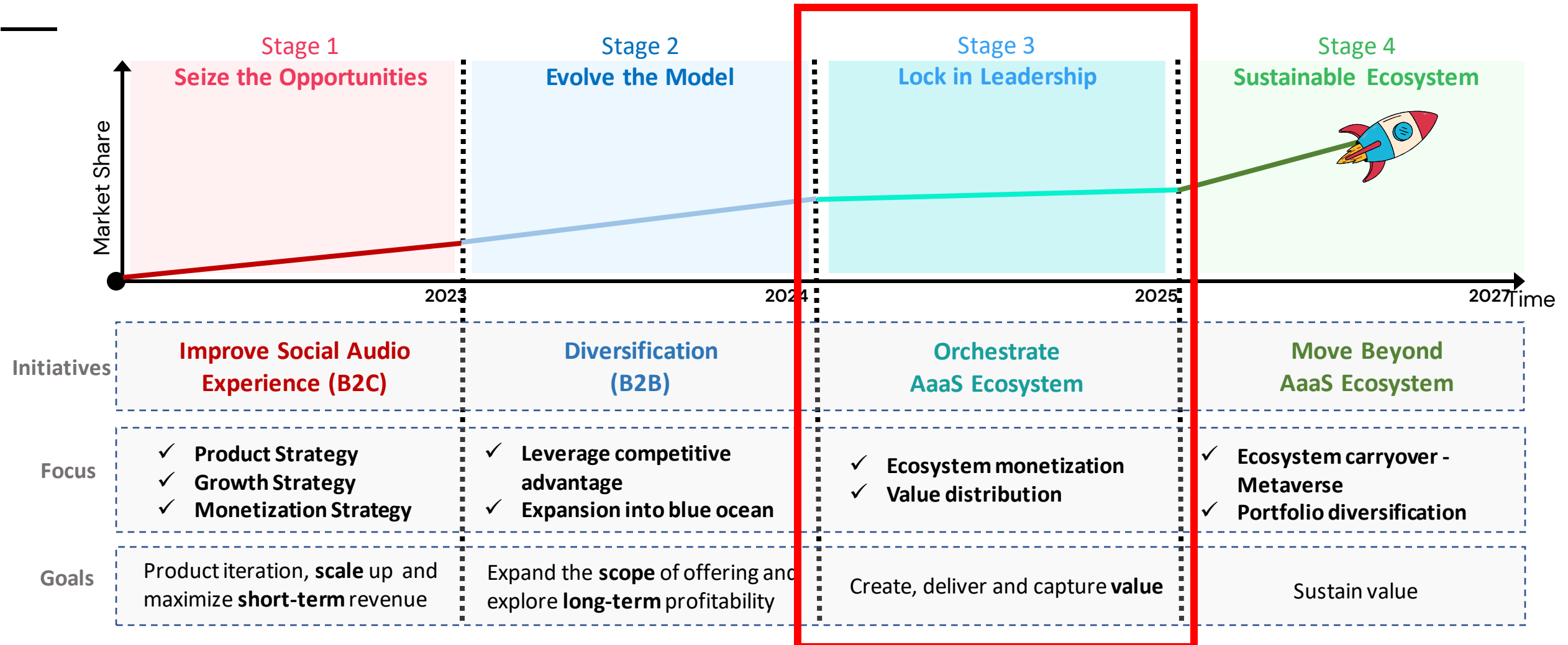
HOW SHOULD CLUBHOUSE STRATEGIZE?

Internal Communication for corporations



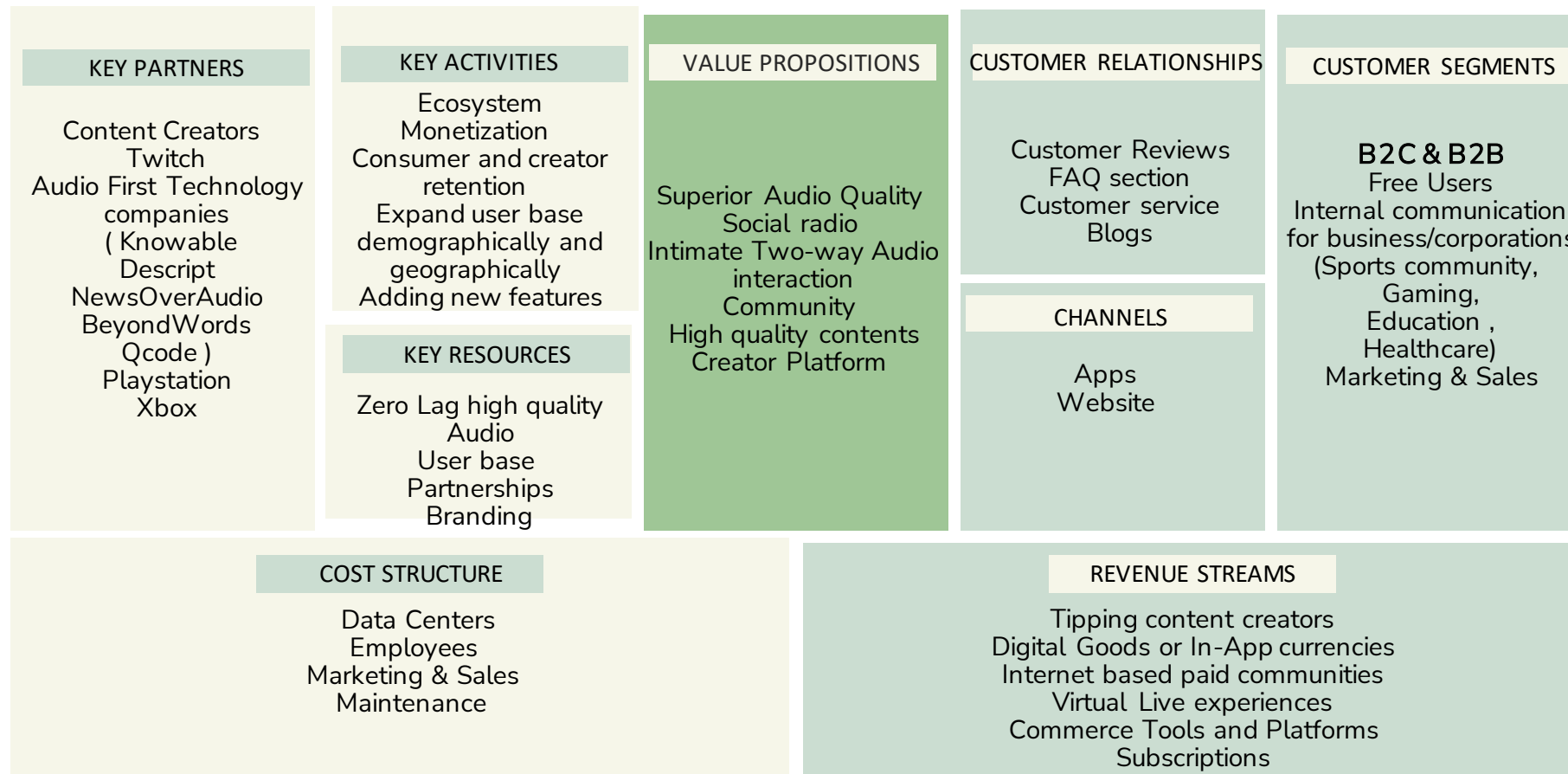
Stage 3: Orchestrating AaaS Ecosystem by ecosystem monetization and value distribution*

WHAT CAN CLUBHOUSE DO TO GET BETTER?



In stage 3, Clubhouse could be the shaper of AaaS by venturing into various streams to build their value and business around it

HOW CAN CLUBHOUSE LOCK IN LEADERSHIP?



Clubhouse should monetize the ecosystem and distribute the value to capture greater value in the AaaS ecosystem

HOW CAN CLUBHOUSE LOCK IN LEADERSHIP?

🟡 **Ecosystem monetization***

Partnership programs for creators and easy payments for B2B partners.

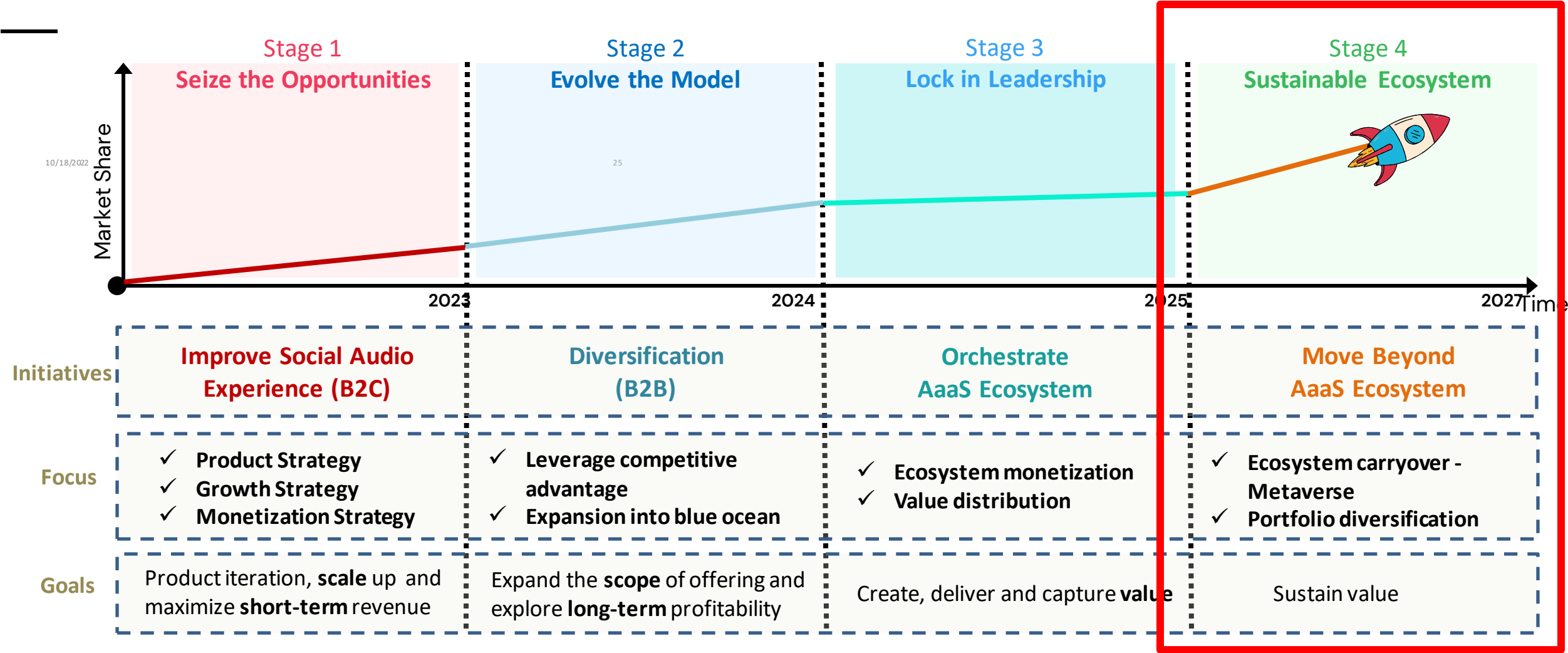
Capturing its own fair share of the value by acquiring other players once they have enough capital.

🟡 **Value distribution***

Career fairs on audio platforms to learn more about companies to bring more value to customers/end users.

Stage 4: Moving beyond AaaS Ecosystem and create a sustainable ecosystem by sustaining value and diversifying even further

WHAT CAN CLUBHOUSE DO TO GET BETTER?



Clubhouse here will be strongly placed to monetize its audio service in adjacent markets and diversify its portfolio.

HOW CAN CLUBHOUSE SUSTAIN VALUE IN STAGE 4?

🟡 Ecosystem monetization*

Providing Clubhouse's *Superior Audio as a Service* (SAAAS) to partners in the metaverse.

- Partner with Smart home/Bluetooth device/Automotives manufacturers

🟡 Portfolio diversification*

Invest in gaming and music industry and provide better live audio to creators and musicians for live recording and concerts.



GCI should not invest in Clubhouse at this moment as competitors are in a better position and the drop in users is alarming

INVESTMENT RECOMMENDATION

No Clubhouse!

Appendix

1. <https://www.newyorker.com/news/letter-from-silicon-valley/in-the-clubhouse>
2. <https://podcastmovement.com/podmov/clubhouse-social-audio-losing-talent-downloads/>
3. <https://influencermarketinghub.com/clubhouse-stats/>
4. <https://entrepreneur-360.com/how-does-clubhouse-make-money-30354>
5. <https://www.investopedia.com/articles/economics/08/recession-affecting-business.asp>
6. <https://insights.weareeverise.com/4-stats-why-content-and-community-moderation-are-important-for-media-brands>
7. <https://www.bcg.com/publications/2022/what-is-your-business-ecosystem-strategy#8>
8. <https://www.statista.com/statistics/1221391/most-followed-clubhouse-accounts-worldwide/>